

Series 1999-A Warrants

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
February 1, 2029	\$ 120,735,000	5.125%
February 1, 2033	281,240,000	5.00
February 1, 2036	252,560,000	5.375
February 1, 2038	193,225,000	5.75
February 1, 2039	104,935,000	5.125

The principal of and the interest on any Series 1999-A Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 1999-A Warrant prior to maturity. Interest on the Series 1999-A Warrants shall be computed on the basis of a 360-day year of 12 consecutive 30-day months.

The principal of and interest on any Series 1999-A Warrant not paid when due shall bear interest after the respective due dates thereof until paid at the rate of interest borne by the principal of such Series 1999-A Warrant prior to maturity. The Series 1999-A Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 1999-A Warrants. The principal of and the interest and premium (if any) on the Series 1999-A Warrants shall be payable at the principal office of the Trustee in New York, New York, in accordance with the provisions of Section 3.2 of the Original Indenture. As used in the Indenture with respect to the Series 1999-A Warrants, the term "Paying Agent" means the Trustee.

**Section 2.2 Optional Redemption of Series 1999-A Warrants.** The Series 1999-A Warrants will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part, on February 1, 2009, and on any date thereafter, at and for the following respective redemption prices (expressed in percentages of the principal amount of each Series 1999-A Warrant or portion thereof to be redeemed) plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2009, through January 31, 2010	101%
February 1, 2010, through January 31, 2011	100-1/2
February 1, 2011, or thereafter	100

The Series 1999-A Warrants may be redeemed only in installments of \$5,000 or any integral multiple thereof. In the event that less than all of the Series 1999-A Warrants of a particular maturity are redeemed and prepaid pursuant to this Section 2.2, the Trustee shall select by lot the Series 1999-A Warrants (or portions of the principal thereof) of such maturity to be redeemed and prepaid.

The redemption of Series 1999-A Warrants pursuant to this section shall comply with the applicable provisions of Article VI of the Original Indenture and Section 2.5 hereof, with the provisions of Section 2.5 particularly applicable to the Series 1999-A Warrants to govern in the case of any conflict.

**Section 2.3 Scheduled Mandatory Redemption of Series 1999-A Warrants.** Those of the Series 1999-A Warrants maturing on February 1, 2029, shall be subject to scheduled mandatory redemption on February 1, 2028, in the principal amount of \$58,820,000. Series 1999-A Warrants in the aggregate principal amount of \$61,915,000 will remain to be paid at their scheduled maturity on February 1, 2029.

Those of the Series 1999-A Warrants maturing on February 1, 2033, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2030	\$ 65,125,000
February 1, 2031	68,465,000
February 1, 2032	71,980,000

Series 1999-A Warrants in the aggregate principal amount of \$75,670,000 will remain to be paid at their scheduled maturity on February 1, 2033.

Those of the Series 1999-A Warrants maturing on February 1, 2036, shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2034	\$ 79,705,000
February 1, 2035	84,105,000

Series 1999-A Warrants in the aggregate principal amount of \$88,750,000 will remain to be paid at their scheduled maturity on February 1, 2036.

Those of the Series 1999-A Warrants maturing on February 1, 2038, shall be subject to scheduled mandatory redemption on February 1, 2037, in the principal amount of \$93,835,000. Series 1999-A Warrants in the aggregate principal amount of \$99,390,000 will remain to be paid at their scheduled maturity on February 1, 2038.

The Series 1999-A Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI of the Original Indenture and Section 2.5 hereof, with the provisions of Section 2.5 particularly applicable to the Series 1999-A Warrants to govern in the case of any conflict.

Not less than forty-five (45) days or more than sixty (60) days prior to each scheduled mandatory redemption date, the Trustee shall proceed to select for redemption, as provided in Section 2.5 hereof, Series 1999-A Warrants (or portions thereof) from the maturity subject to mandatory redemption on such date in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 1999-A Warrants (or portions thereof) for redemption on such scheduled mandatory redemption date; provided, however, that the County may, upon direction delivered to the Trustee not less than sixty (60) days prior to any such scheduled mandatory redemption date with respect to Series 1999-A Warrants of a particular maturity, direct that any or all of the following amounts be credited against the principal amount of Series 1999-A Warrants of such maturity scheduled for redemption on such date: (i) the principal amount of Series 1999-A Warrants of such maturity delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Series 1999-A Warrants of such maturity previously redeemed pursuant to the optional redemption provisions of Section 2.2 hereof and not previously claimed as a credit.

**Section 2.4 Purchase of Series 1999-A Warrants for Retirement.** The County may at any time and from time to time purchase Series 1999-A Warrants for retirement using funds from any source. Any Series 1999-A Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1999-A Warrants shall be cancelled by the Trustee. In the event that the County elects to purchase any Series 1999-A Warrants for retirement, the Trustee may, if requested to do so by the County, solicit for tenders of Series 1999-A Warrants by holders thereof who wish to sell such Series 1999-A Warrants to the County.

**Section 2.5 Special Provisions Respecting Partial Redemption of Series 1999-A Warrants.** The principal of any Series 1999-A Warrants shall be redeemed only in the amount of \$5,000 or any integral multiple thereof. If less than all the outstanding Series 1999-A Warrants are to be redeemed on any single redemption date pursuant to Section 2.2 hereof, those to be redeemed shall be called for redemption from such maturity or maturities as shall be specified by the County. If less than all the Series 1999-A Warrants of a single maturity are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each \$5,000 in principal amount of the Series 1999-A Warrants of such maturity then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 1999-A Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 1999-A Warrants of such maturity to

be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 1999-A Warrant of such maturity equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

Section 2.6 **Form of Series 1999-A Warrants.** The Series 1999-A Warrants and the Trustee's authentication certificate and the form of assignment and related signature guaranty applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1999-A Warrant]

No. R-\_\_\_\_\_ \$ \_\_\_\_\_

**UNITED STATES OF AMERICA**

**STATE OF ALABAMA**

**JEFFERSON COUNTY, ALABAMA**

**SEWER REVENUE CAPITAL IMPROVEMENT WARRANT  
Series 1999-A**

Interest Rate

Maturity Date

CUSIP

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges itself indebted to and orders and directs the County Treasurer of the County to pay to \_\_\_\_\_, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

D O L L A R S

on the maturity date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1999, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the premium (if any) on this warrant shall be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York in New York, New York, or its successors as Trustee under the Indenture hereinafter referred to, and the interest payable on this warrant on each interest payment date shall be remitted, by the Trustee hereinafter referred to, by check or draft



mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of the said Trustee. The principal of and the interest and premium (if any) on this warrant shall bear interest after their respective due dates until paid at the per annum rate shown above.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$952,695,000 and designated Sewer Revenue Capital Improvement Warrants, Series 1999-A (herein called the "Series 1999-A Warrants"). The Series 1999-A Warrants have been issued, on a parity with the Outstanding Parity Securities hereinafter referred to, under a Trust Indenture dated as of February 1, 1997 (herein called the "Original Indenture"), between the County and The Bank of New York, Birmingham, Alabama, as Trustee (herein, in such capacity, together with its successors in trust, called the "Trustee"), as supplemented and amended by a First Supplemental Indenture dated as of March 1, 1997 (herein called the "First Supplemental Indenture"), and by a Second Supplemental Indenture dated as of March 1, 1999 (herein called the "Second Supplemental Indenture"). The County has heretofore issued under the Original Indenture, as supplemented and amended by the First Supplemental Indenture, \$211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, \$48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997, \$52,880,000 principal amount of Taxable Sewer Revenue Refunding Warrants, Series 1997-C, dated February 15, 1997, and \$296,395,000 principal amount of Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997 (all of which are herein together called the "Outstanding Parity Securities"). As used herein, the term "Indenture" means the Original Indenture as supplemented and amended by the First Supplemental Indenture and the Second Supplemental Indenture.

The Series 1999-A Warrants are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, 2009, and on any date thereafter, such redemption to be at and for the following respective redemption prices (expressed as a percentage of the principal amount redeemed) plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2009, through January 31, 2010	101%
February 1, 2010, through January 31, 2011	100-1/2
February 1, 2011, or thereafter	100

The Series 1999-A Warrants having a stated maturity on February 1, 2029, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the principal amount of \$58,820,000 on February 1, 2028.

The Series 1999-A Warrants having a stated maturity on February 1, 2033, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant

(or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2030	\$ 65,125,000
February 1, 2031	68,465,000
February 1, 2032	71,980,000

The Series 1999-A Warrants having a stated maturity on February 1, 2036, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2034	\$ 79,705,000
February 1, 2035	84,105,000

The Series 1999-A Warrants having a stated maturity on February 1, 2038, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the principal amount of \$93,835,000 on February 1, 2037.

Not less than forty-five (45) days or more than sixty (60) days prior to each scheduled mandatory redemption date, the Trustee shall proceed to select for redemption, by lot, Series 1999-A Warrants (or portions thereof) from the maturity subject to mandatory redemption on such date in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 1999-A Warrants (or portions thereof) for redemption on such scheduled mandatory redemption date; provided, however, that the County may, upon direction delivered to the Trustee not less than sixty (60) days prior to any such scheduled mandatory redemption date with respect to Series 1999-A Warrants of a particular maturity, direct that any or all of the following amounts be credited against the principal amount of Series 1999-A Warrants of such maturity scheduled for redemption on such date: (i) the principal amount of Series 1999-A Warrants of such maturity delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Series 1999-A Warrants of such maturity previously redeemed pursuant to the applicable optional redemption provisions and not previously claimed as a credit.

If less than all of the outstanding Series 1999-A Warrants of a particular maturity are to be called for redemption, the Series 1999-A Warrants (or principal portions thereof) to be redeemed

shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1999-A Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1999-A Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 1999-A Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1999-A Warrants for which notice was properly given. Any Series 1999-A Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Outstanding Parity Securities and the Series 1999-A Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Outstanding Parity Securities and the Series 1999-A Warrants with respect to the pledge of the aforesaid revenues from the System (the Outstanding Parity Securities, the Series 1999-A Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest or premium (if any) on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1999-A Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this



warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee, in its capacity as paying agent for the Series 1999-A Warrants, of the certificate of authentication inscribed hereon.



IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated March 1, 1999.

**JEFFERSON COUNTY, ALABAMA**

By \_\_\_\_\_  
President of the County Commission

ATTEST:

\_\_\_\_\_  
Minute Clerk of the  
County Commission

[ S E A L ]

**AUTHENTICATION CERTIFICATE**

DATE OF AUTHENTICATION: \_\_\_\_\_

This warrant is one of the Series 1999-A Warrants described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK,**  
as Paying Agent

By \_\_\_\_\_  
Its Authorized Officer

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within warrant and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed:

\_\_\_\_\_  
(Bank, Trust Company or Firm)\*

By \_\_\_\_\_  
(Authorized Officer)

Medallion Number: \_\_\_\_\_

\*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

**Section 2.7 Execution and Delivery of Series 1999-A Warrants.** The Series 1999-A Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

Section 2.8 **Application of Proceeds from the Sale of Series 1999-A Warrants.** The entire proceeds derived from the sale of the Series 1999-A Warrants shall amount to \$950,651,846.61. All of such proceeds (except for the sum of \$2,857,291.08, which shall be paid directly to the Bond Insurer by Raymond James & Associates, Inc., acting on behalf of the County) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

- (a) payment into the Series 1999-A Capitalized Interest Account of that portion of such proceeds (if any) that is allocable to accrued interest;
- (b) payment into the Series 1999-A Capitalized Interest Account [in addition to the deposit described in subparagraph (a)] of the sum of \$135,867,918.79;
- (c) payment into the Reserve Fund of the sum of \$69,615,168.62; and
- (d) payment of the balance into the 1999 Construction Fund.

### ARTICLE III

#### AGREEMENTS RESPECTING CONSTRUCTION OF 1999 SYSTEM IMPROVEMENTS AND USE OF MONEYS IN 1999 CONSTRUCTION FUND

Section 3.1 **Agreement to Construct 1999 System Improvements.** The County will proceed continuously and with reasonable dispatch with the acquisition, construction and installation of the various System Improvements that constitute part of the County's Sanitary Sewer Capital Improvement Program. The County will complete the acquisition, construction and installation of the 1999 System Improvements, including the acquisition of such real estate (and interests therein) as may be necessary therefor, as soon as may be practicable, delays incident to strikes, riots, acts of God and the public enemy and similar acts beyond the reasonable control of the County only excepted. The County will promptly pay, as and when due, all expenses incurred in said acquisition, construction and installation.

Section 3.2 **Creation of 1999 Construction Fund; Purposes for Which Moneys Therein May Be Expended.** There is hereby created a special trust fund, the full name of which shall be the "Jefferson County Sewer System 1999 Construction Fund," for the purpose of providing funds for the acquisition, construction and installation of the 1999 System Improvements. The Trustee shall be and remain the depository, custodian and disbursing agent for the 1999 Construction Fund. Except as otherwise provided in Section 4.3(c) hereof, the moneys in the 1999 Construction Fund shall be paid out from time to time by the Trustee for the following purposes only and only upon presentation of requisitions as described in Section 3.3 hereof:



- (a) payment of Series 1999-A Issuance Costs;
- (b) payment of the reasonable expenses and charges of the Trustee in connection with the 1999 Construction Fund;
- (c) payment for labor, services, materials, supplies and equipment furnished in acquiring, constructing and installing the 1999 System Improvements;
- (d) payment of the costs of acquiring any real estate (including easements and other interests therein) for the construction or installation thereon of any part or parts of the 1999 System Improvements; and
- (e) payment of all expenses (including the fees and expenses of engineers and attorneys and recording fees) incurred in connection with matters referred to in the preceding subsections (c) and (d) of this section.

**Section 3.3 Payments from the 1999 Construction Fund.** All requisitions for disbursements from the 1999 Construction Fund shall be signed by an Authorized County Representative and shall (a) state the amount required to be paid and the name and address of the Person to whom payment is to be made, (b) describe in reasonable detail the particular Improvement Cost or issuance expense to be paid, and (c) certify that the purpose for which such payment is to be made is a purpose for which 1999 Construction Fund moneys are authorized under the Second Supplemental Indenture to be expended. If the payment requested is for work or materials for construction of any of the 1999 System Improvements, such requisition shall be approved by the engineer (if any) employed by the County to supervise the construction of such 1999 System Improvements.

In addition to the documents required by this section the Trustee may require as a condition precedent to any disbursement further evidence with respect thereto or with respect to the application of any moneys previously disbursed or as to the correctness of any statement made in any requisition. Upon the written request of the Holders of at least ten percent (10%) of the aggregate principal amount of the Parity Securities, the Trustee shall require such evidence. The Trustee shall, however, be under no duty to require such evidence unless so requested. The Trustee shall not be liable for any misapplication of moneys in the 1999 Construction Fund if disbursed pursuant to the provisions of this section and without knowledge or reason to believe that such disbursement constituted a misapplication of funds.

**Section 3.4 Security for 1999 Construction Fund Moneys.** The moneys at any time on deposit in the 1999 Construction Fund shall be and at all times remain public funds impressed with a trust for the purposes specified in Section 3.2 hereof. The Trustee shall at all times keep the moneys on deposit in the 1999 Construction Fund continuously secured, for the benefit of the County and the Holders of the Parity Securities, either

(a) by holding on deposit, as collateral security, Federal Obligations, or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the 1999 Construction Fund, or

(b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable law and regulations, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for the Trustee so to secure any portion of the moneys on deposit in the 1999 Construction Fund (i) that is invested in Federal Obligations or pursuant to an agreement described in clause (v) of the definition of "Eligible Investments" in the Original Indenture, or (ii) that is insured by the Federal Deposit Insurance Corporation or any agency of the United States of America that may succeed to its functions.

**Section 3.5 Investment of 1999 Construction Fund.** As promptly as practicable following the execution and delivery of this Second Supplemental Indenture and from time to time thereafter, the County will furnish to the Trustee a written certificate stating the approximate dates when the moneys on deposit in the 1999 Construction Fund will be needed for the various purposes for which such fund is being created. Promptly after receipt of each such certificate, the Trustee will, at the direction of the County and to the extent practicable, cause the 1999 Construction Fund moneys to be invested in Eligible Investments having stated maturities in such amounts and at such times, prior to or corresponding with the amounts and dates specified in said certificate, as to make available from the 1999 Construction Fund cash moneys sufficient to meet the needs of the 1999 Construction Fund as specified in said certificate. Any such certificate may contain either specific or general instructions from the County as to the kind of Eligible Investments in which the presently unneeded moneys in the 1999 Construction Fund are to be invested, and the Trustee will comply with such instructions to the extent that they are not inconsistent with the applicable provisions hereof; provided that the County shall not direct the Trustee to make any investment of moneys in the 1999 Construction Fund that would result in any of the Parity Securities being considered "arbitrage bonds" within the meaning of Section 103(b)(2) and Section 148 of the Code and the applicable regulations thereunder. In the event of any such investment, the securities in which such moneys are so invested, together with all income derived therefrom, shall become a part of the 1999 Construction Fund to the same extent as if they were moneys originally deposited therein. The Trustee may at any time and from time to time sell or otherwise convert into cash any such securities, whereupon the net proceeds therefrom shall become a part of the 1999 Construction Fund. The Trustee shall be fully protected in making any such investment, sale or conversion in accordance with the provisions of this section. In any determination of the amount of moneys at any time forming a part of the 1999 Construction Fund, all such securities in which any portion of the 1999 Construction Fund is at the time so invested shall be included therein at their then market value.

## ARTICLE IV

### PROVISIONS CONCERNING THE SERIES 1999-A INSURANCE POLICY

Section 4.1 **Payments Under the Series 1999-A Insurance Policy.** (a) If, on the third day preceding any Interest Payment Date for the Series 1999-A Warrants, there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Series 1999-A Warrants due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., New York, New York, or its successor as the Bond Insurer's Fiscal Agent (the "Fiscal Agent"), of the amount of such deficiency. If, by said Interest Payment Date, the County has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the Series 1999-A Warrants maintained by the Trustee. In addition:

(i) the Trustee shall provide the Bond Insurer with a list of the Holders of the Series 1999-A Warrants entitled to receive principal or interest payments from the Bond Insurer under the terms of the Series 1999-A Insurance Policy and shall make arrangements for the Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to the Holders of Series 1999-A Warrants entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the Series 1999-A Warrants surrendered to the Fiscal Agent by the Holders thereof entitled to receive full or partial principal payments from the Bond Insurer; and

(ii) the Trustee shall, at the time it makes the registration books available to the Bond Insurer, notify Holders entitled to receive payment of principal of or interest on the Series 1999-A Warrants from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Series 1999-A Insurance Policy, (3) that, except as provided in paragraph (b) below, in the event that any Holder of Series 1999-A Warrants is entitled to receive full payment of principal from the Bond Insurer, such Holder must tender his Series 1999-A Warrant to the Fiscal Agent with the instrument of transfer in the form provided on the Series 1999-A Warrant executed in the name of the Bond Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Holder is entitled to receive partial payment of principal from the Bond Insurer, such Holder must tender his Series 1999-A Warrant for payment first to the Trustee, which shall note on such Series 1999-A Warrant the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Holder subject to the terms of the Series 1999-A Insurance Policy.



(b) In the event that the Trustee has notice that any payment of principal of or interest on a Series 1999-A Warrant has been recovered from a Holder thereof pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Holders of Series 1999-A Warrants that, in the event that any such Holder's payment is so recovered, such Holder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 1999-A Warrants which have been made by the Trustee and subsequently recovered from Holders, and the dates on which such payments were made.

(c) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Series 1999-A Warrants, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 1999-A Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holders of such Series 1999-A Warrants and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the Series 1999-A Warrants maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Holders of such Series 1999-A Warrants. Notwithstanding anything in the Indenture or the Series 1999-A Warrants to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

**Section 4.2 Information to be Provided to the Bond Insurer.** The County shall provide the Bond Insurer with the following information:

(a) within 180 days after the end of each Fiscal Year of the County, a copy of the County's budget for the then current Fiscal Year, a copy of the County's annual audited financial statements for the most recently completed Fiscal Year, a statement of the amount on deposit in the Reserve Fund as of the last valuation and, if not presented in the audited financial statements, a statement of the net revenues pledged to payment of the Parity Securities for the most recently completed Fiscal Year;

(b) the Official Statement or other disclosure document, if any, prepared in connection with the issuance of additional debt instruments payable from the System Revenues, whether or not such instruments constitute Additional Parity Securities, within 30 days after the sale thereof;

(c) notice of any draw upon, or any deficiency due to market fluctuation in the amount on deposit in, the Reserve Fund;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the Parity Securities, including the principal amount, maturities and CUSIP numbers thereof

(e) simultaneously with the delivery of the County's annual audited financial statements:

(i) the number of System users as of the end of the most recently completed Fiscal Year;

(ii) notification of the withdrawal of any System user responsible for 5% or more of System Revenues since the last reporting date;

(iii) any significant plant retirements or expansions planned or undertaken in the System's service area since the last reporting date;

(iv) maximum and average daily System usage for the most recently completed Fiscal Year;

(v) any updated capital plans for expansion and improvement projects; and

(vi) results of any annual engineering inspections.

(f) such additional information as the Bond Insurer may reasonably request from time to time.

**Section 4.3 Miscellaneous Special Provisions Respecting the Bond Insurer and the Series 1999-A Insurance Policy.** (a) In determining whether a payment default has occurred or whether a payment on the Series 1999-A Warrants has been made under the Indenture, no effect shall be given to payments made under the Series 1999-A Insurance Policy.

(b) The Bond Insurer shall receive immediate notice of any default in payment of principal of or interest on the Series 1999-A Warrants and notice of any other Event of Default known to the Trustee within 30 days of the Trustee's knowledge thereof.

(c) The Trustee shall, if and to the extent that there are no other available moneys held under the Indenture, use moneys in the 1999 Construction Fund to pay principal of or interest on the Series 1999-A Warrants.

(d) For all purposes of Article XIII of the Original Indenture, except the giving of notice of default to Holders of Series 1999-A Warrants, the Bond Insurer shall be deemed to be the sole

holder of the Series 1999-A Warrants it has insured for so long as it has not failed to comply with its payment obligations under the Series 1999-A Insurance Policy.

(e) No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of Trustee. The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto.

(f) The Bond Insurer shall be treated as a party in interest and as a party entitled to (i) notify the Trustee of the occurrence of an Event of Default and (ii) request the Trustee to intervene in judicial proceedings that affect the Series 1999-A Warrants or the security therefor.

(g) Any amendment or supplement to the Indenture shall be subject to the prior written consent of the Bond Insurer. The Bond Insurer shall be deemed to be the holder of all outstanding Series 1999-A Warrants for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the Holder of each outstanding Series 1999-A Warrant). Any rating agency rating any of the Series 1999-A Warrants must receive notice of each amendment or supplement hereafter executed and a copy thereof at least fifteen days in advance of its execution or adoption.

(h) The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any Supplemental Indenture hereafter executed.

(i) Any notices to the Bond Insurer or the Fiscal Agent pursuant to the Indenture shall be sent to the following addresses (unless and until different addresses are specified in writing to the County and the Trustee):

Financial Guaranty Insurance Company  
115 Broadway  
New York, New York 10006  
Attention: General Counsel

State Street Bank and Trust Company, N.A.  
61 Broadway  
New York, New York 10006  
Attention: Corporate Trust Department



## ARTICLE V

### MISCELLANEOUS

Section 5.1 **1999 System Improvements to Constitute Part of System.** The 1999 System Improvements shall henceforth constitute part of the System referred to in the Indenture and shall be subject to the Indenture as fully and completely as if they had been in existence at the time the Original Indenture was executed and delivered and had been specifically described therein.

Section 5.2 **Confirmation of Indenture.** All the terms, covenants and conditions of the Indenture are hereby in all things confirmed, and they shall remain in full force and effect. Further, the County does hereby confirm the pledge made in the Indenture with respect to the revenues derived from all properties now or hereafter constituting a part of the System, including specifically, without limiting the generality of the foregoing, all properties acquired as a part of the System since the execution and delivery of the Original Indenture.

Section 5.3 **Pledge of 1999 Construction Fund.** For the purposes specified in Section 2.1 of the Original Indenture, the County does hereby grant, bargain, sell and convey, assign, transfer and pledge to and with the Trustee the moneys deposited in the 1999 Construction Fund, together with any investments and reinvestments of such moneys and the income or proceeds thereof; subject, however, to the disbursement of all moneys at any time held in the 1999 Construction Fund for application in accordance with the provisions of this Second Supplemental Indenture.

Section 5.4 **Debt Service Fund Deposits Referable to Series 1999-A Warrants.** In order to provide funds for the payment of the principal of and the interest on the Series 1999-A Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account, the following amounts at the following times:

(1) on or before the fourth day preceding August 1, 1999, and on or before the fourth day preceding each February 1 and August 1 thereafter until and including the fourth day preceding February 1, 2039, an amount equal to the interest becoming due with respect to the then outstanding Series 1999-A Warrants on the next succeeding Interest Payment Date; provided that any moneys then held in the Series 1999-A Capitalized Interest Account hereinafter referred to shall be credited against the amounts that otherwise would be deposited into the Debt Service Fund pursuant to this clause (1); and

(2) on or before the fourth day preceding August 1, 2027, and on or before the fourth day preceding each February 1 and August 1 thereafter until and including the fourth day preceding February 1, 2039, an amount equal to one-half